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A small, handwritten signature in black ink, appearing to be the initials "JF".

Mr David Bruno
Secretary
Joint Committee of Public Accounts and Audit
Parliament House
Canberra ACT 2600

jcpaa@aph.gov.au

Dear Mr Bruno

Thank you for inviting UnitingCare Australia to provide our comments on the draft rules for the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) which are being developed by the Department of Finance.

UnitingCare Australia represents the network of UnitingCare community service providers operating nationally across more than 1600 sites in metropolitan, regional and remote Australia. Our network is one of the largest providers of community services in Australia and we make a strong contribution to the Australian economy by providing services to over 2 million people each year, with an annual turnover in excess of \$2.5 billion, employing 39,000 staff supported by 27,000 volunteers nationally. We partner with governments, other organisations, communities and people of goodwill to deliver people centred services that help individuals and communities access the resources and opportunities needed to live a decent life.

UnitingCare Australia has taken a close interest in the development of the PGPA Act, and the preceding Commonwealth Financial Accountability Review, because we believe it is a critical piece of legislative architecture that rightly recognises the importance of collaboration and partnership between Commonwealth and non-Commonwealth entities. In making our comments to the Committee's May 2013 Inquiry into the PGPA Bill we noted our support for the Objects of the Act, in particular Clause 5(c) (iv) which requires the Commonwealth to work cooperatively with others to achieve common objectives where practical. We also expressed our similar support of Clauses 17 (duty to encourage cooperation with others) and (duty in relation to requirements imposed on others) 18.

Our keen interest in the development of the PGPA rules is around how to ensure that the relationship between the government and non-government best supports effective action to address the long-term and entrenched social issues facing Australia. Addressing these issues requires persistent, complex and multi layered responses and it is important that the PGPA rules provide the government and the NFP sector sufficient scope and flexibility to achieve this.

We believe that the development of an appropriate risk framework (Clause 16) as well as establishing clear rules around Clauses 17 and 18 of the PGPA Act will be central to its effective operation and help to determine how the Commonwealth collaborates with other sectors. In our view the biggest risk is that Australians will be unable to access the services and supports they need when they need them.

The Department of Finance has provided UnitingCare Australia with opportunity to comment on the draft rules and we have also spoken to departmental officials about issues that are running in parallel and/or contributing both directly and indirectly to the development of the PGPA rules, such as streamlining the grants application process.

We wish to make the Committee aware that the UnitingCare network has extensive experience working with Commonwealth agencies to deliver community services. Our relationship with Commonwealth agencies is often viewed as one of “purchaser and provider”, whereby UnitingCare must adhere to a series of reporting, control and compliance obligations imposed by Commonwealth agencies which, in our experience, can restrict our ability to respond quickly and effectively to the ever changing circumstances. We therefore welcome the design principles for the PGPA rules as outlined in the Department of Finance submission, in particular that the need to minimise regulation and red tape has been recognised and that *“the rules will focus on ensuring that an entity’s response to any non-compliance is appropriate and balanced”* (p.16). However, we note that no *“risk rules”* will be developed until *“a whole of government risk management policy is in place”* (p.24).

While we appreciate the need to stage the introduction of the PGPA rules and the desire for a whole of government risk framework we believe that there is an urgency for Commonwealth agencies to better manage risk in their collaboration and engagement with non-Commonwealth entities. The PGPA Act provides the opportunity for action on this issue (Clause 16 refers). However, without the development of risk rules within the PGPA process there remains little guidance or direction as to how Commonwealth entities and/or officials will act on their duties as defined in Clauses 17 and 18 of the PGPA Act. We would therefore encourage the Department of Finance to move quickly in the development of the risk rules within the PGPA process and in doing so work with non-government partners, especially the Not-for-profit (NFP) sector.

Our request to prioritise risk rules within the PGPA process is driven by our experience in working with Commonwealth Agencies that operate within the current framework of the *Financial Management and Accountability Act 1997*. Under the FMA Act the Commonwealth imposes terms and conditions, including reporting and compliance obligations, in funding contracts with NFP community service providers which are often non-negotiable and primarily serve to mitigate risk (perceived or otherwise) to the Commonwealth. Further, because the Government is a monopsony in the area of social and community services NFPs carry a disproportionate level of risk in order to gain funding to provide vital services and supports to some of the most vulnerable and at need members of our communities. For example, the terms and conditions in the Department of Social Services Standard Funding Agreement allow the department to: include any supplementary conditions it deems necessary¹; withdraw funding or reduce scope at any time by giving written notice²; remove personnel from project/service delivery³; and, demand additional unspecified reporting/information at any time during or after the funding period⁴.

Effective collaboration between the government and the NFP sector is critical in meeting some of the long-term social challenges facing our nation, particularly as Australia’s social and economic landscape undergoes rapid change. An economy in transition, structural adjustments required to the budget, increasing complexity of need in communities and a changing funding environment are challenging governments and social service providers to think differently about how they operate. We need the PGPA rules to appropriately reflect and recognise this new operating environment, in particular the value and importance of the relationship between the government and the NFP sector.

¹ Terms and Conditions - Standard Funding Agreement, Australian Government, May 2011, Clause 3.3 p.2

² Ibid, Clause 22.1 – 22.3, p.16

³ Ibid, Clause 29.1, p.20

⁴ Ibid, Clause 29.2, p.20

As such we ask the Committee to consider recommending that the Department of Finance give priority to engaging with the NFP sector to develop a risk framework (Clause 16) and rules around Clauses 17 and 18 of the PGPA Act.

If you have any questions about the issues raised in this letter please contact our Director of Services Sustainability, Joe Zabar, on [REDACTED] or [REDACTED]

Yours sincerely

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Lin Hatfield Dodds
National Director

26 March 2014